



Written by [Bruce Walker](#) on January 18, 2011

Subsidizing Ethanol Is Bad Policy

This finding is similar to other studies. The Maglev Research Center of the Polytechnic University of New York found that the use of ethanol as a subsidized fuel is "not a practical long-term solution," and it could have a "devastating" impact on agriculture. Some of the arguments for making corn into fuel have been that the sugar byproduct in corn could be used; however, a recent [EPA study](#) shows that there was no sugar from the cellulose agricultural byproduct, so called "biomass," in the ethanol produced in the second half of 2010.



The promotion of ethanol began decades ago upon a premise of economic siege as a result of the "energy crisis" in the early 1970s. There was at that time a comprehensive review of all the myriad types of energy that had been used in recent modern history. That review found that several alternative fuel sources have worked, but they were based upon particular circumstances in the geographical areas that used these sources. Geothermal power, for example, is a highly efficient energy source in Iceland because of the volcanic activity and many thermal springs on the island — a unique set of conditions that are not equaled anywhere else on Earth. One-quarter of [Iceland's electrical](#) power generation and 87 percent of its heating requirements are met using this geothermal power.

Hydroelectric power is also an excellent energy source in those areas which have a massive natural reservoir of water at an elevation that allows the kinetic energy of downward-flowing water to be transformed into electrical energy. In certain other areas where such reservoirs or lakes do not exist naturally, rivers can be dammed to create lakes to generate power.

Biofuel has been used efficiently throughout human history. Many people in the world still burn animal dung, as did native Indians early in the history of this country. Wood has been a principal source of fuel for a variety of purposes throughout human history, including early industrial activities. In times of crisis, wood has been used as a biofuel in rather creative ways. Sweden, for example, [burned timber](#), an abundant and available resource in that thickly forested nation, during World War II to run automobiles when access to petroleum and even coal was artificially constrained by blockade. [The Netherlands](#) once used wind power very effectively to reclaim land by pumping seawater out of polders — and also to mill flour and saw lumber. Medieval Europeans harnessed water power to perform a dizzying number of tasks during the period that has been likened to a first industrial revolution.

In each of these cases, however, either geographical and economic factors (Iceland and Holland) or artificial external political factors (Sweden) made the use of these various sources of energy logical. However, there are no significant examples in human history, outside of the use of corn to make ethanol in America, of nations converting large food crops into an energy source. Farmers in the American Midwest have long struggled with volatile natural and economic factors, making theirs a hard business: weather, fluctuating market prices, and the costs of fuel and equipment. But most farmers would likely



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not place profit as the principal reason for farming — there are many intangible, but very real, benefits to living on a farm.

The ethanol policy of the American government, however, is not based upon either promotion of those intangible benefits or upon rational economics. The decision to subsidize and promote the use of ethanol is a political one. The State of Iowa has the first primary in presidential elections. Farmers in the Corn Belt — a region that includes not only Iowa, but other swing states such as Illinois, Missouri, and Wisconsin — are highly motivated voters when it comes to ethanol. As a consequence, politicians tout an alternative fuel source whose value is questioned by nearly every serious research study.

The American consumer, in addition to subsidizing an uneconomical energy source, pays for this use of corn for making ethanol in another way. Corn — abundant, cheap and versatile — has become an important component for not only many types of foods Americans consume, such as corn syrup, but also various industrial purposes. Diverting corn to make ethanol drives up the cost of this crop and so inflates the cost of many foods that contain corn products. America produces about half of the corn used by other non-corn producing nations, and the rising price of food causes real hardship to countries such as Tunisia, where there have been food riots.

Congressman Ron Paul has ably summed up the ethanol situation:

Today, the government decides and they misdirect the investment to their friends in the corn industry or the food industry. Think how many taxpayer dollars have been spent on corn [for ethanol], and there's nobody now really defending that as an efficient way to create diesel fuel or ethanol. The money is spent for political reasons and not for economic reasons. It's the worst way in the world to try to develop an alternative fuel.

The lame-duck session of Congress, as part of the compromise to extend the Bush tax cuts, extended the 45 cent-per-gallon incentive on fuel with ethanol and also renewed the 54-percent tariff on Brazilian corn imports. Those members of Congress who tout conservative credentials and generally disdain federal subsidies have been strong supporters of ethanol. Senator John Thune of South Dakota, for instance — considered a potential Republican candidate in 2012 — is among those who fought to keep ethanol supported by the American taxpayer at a cost to the American consumer.

When Congress looks for ways to reduce the federal budget deficit, it would be wise to leave nothing off the table — including ethanol.



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